

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Barry Orness	President	2007
Tim James	Vice President	2008
Nita Fagan	Board Member	2008
Brian Plowman	Board Member	2007
Robert Keimeyer	Board Member	2009
Board of Education		
(After September 2007 Election)		
Robert Kreimeyer	President	2009
Tim James	Vice President	2008
Nita Fagan	Board Member	2008
Jim Zimmerline	Board Member	2010
C. Richard Richter	Board Member	2010
School Officials		
Noel VanDeer	Superintendent (Medical Leave December 2007)	2008
Steve Smith	Superintendent (Appointed December 2007)	2008
Theresa Elgin	District Secretary/ Treasurer	2008
Rick Engel	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adair-Casey Community School District, Adair, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2009 on our consideration of Adair-Casey Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair-Casey Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair-Casey Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,049,202 in fiscal 2007 to \$3,410,238 in fiscal 2008, while General Fund expenditures increased from \$2,974,370 in fiscal 2007 to \$3,208,643 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$530,131 in fiscal 2007 to a balance of \$731,726 in fiscal 2008, a 38.03% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources in fiscal 2008. The increase in expenditures was due primarily to an increase in regular instruction function.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Adair-Casey Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Adair-Casey Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adair-Casey Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Adair-Casey Community School District Annual Financial Report

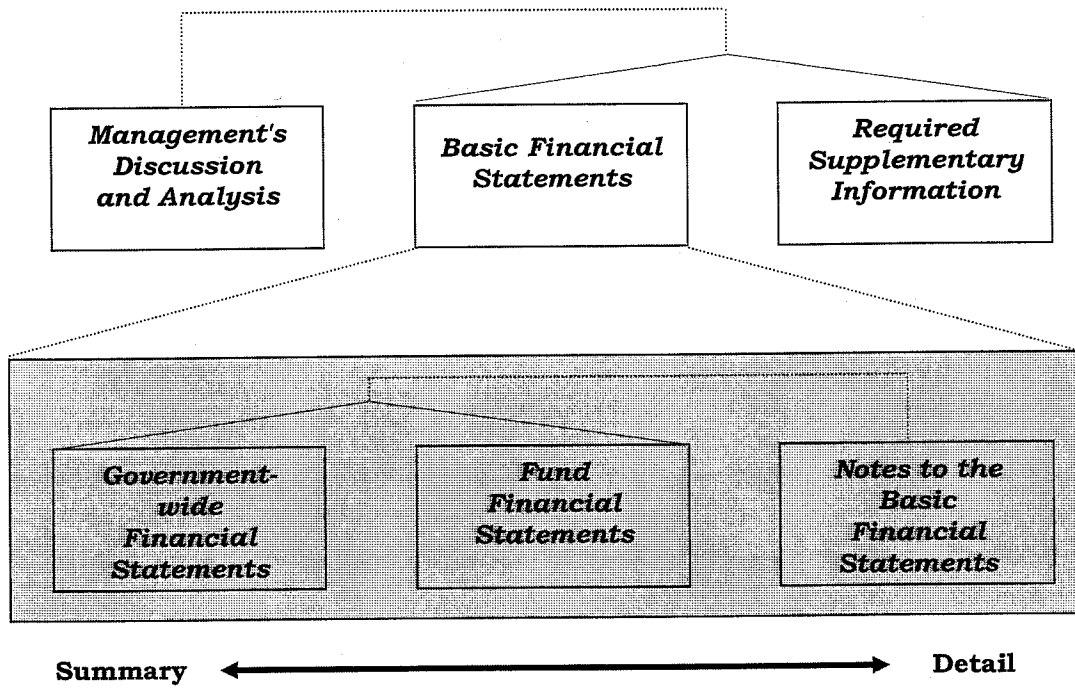


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's medical reimbursement plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,054,710	2,732,459	29,641	34,410	3,084,351	2,766,869	11.47%
Capital assets	1,221,434	1,345,816	35,584	32,554	1,257,018	1,378,370	-8.80%
Total assets	4,276,144	4,078,275	65,225	66,964	4,341,369	4,145,239	4.73%
Long-term obligations	320,422	500,928	0	0	320,422	500,928	-36.03%
Other liabilities	1,621,002	1,658,889	11,385	7,271	1,632,387	1,666,160	-2.03%
Total liabilities	1,941,424	2,159,817	11,385	7,271	1,952,809	2,167,088	-9.89%
Net assets:							
Invested in capital assets, net of related debt	918,466	901,920	35,584	32,554	954,050	934,474	2.09%
Restricted	630,599	435,392	0	0	630,599	435,392	44.83%
Unrestricted	785,655	581,146	18,256	27,139	803,911	608,285	32.16%
Total net assets	\$ 2,334,720	1,918,458	53,840	59,693	2,388,560	1,978,151	20.75%

The District's combined net assets increased by 20.75%, or \$410,409, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$195,207, or 44.83% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$195,626, or 32.16%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 304,710	259,351	99,662	92,850	404,372	352,201	14.81%
Operating grants and contributions and restricted interest	574,923	491,969	73,835	72,251	648,758	564,220	14.98%
General revenues:							
Local tax	1,415,446	1,339,241	0	0	1,415,446	1,339,241	5.69%
Local option sales and services tax	205,904	190,606	0	0	205,904	190,606	8.03%
Unrestricted state grants	1,373,409	1,270,001	0	0	1,373,409	1,270,001	8.14%
Other	106,628	68,899	406	97	107,034	68,996	55.13%
Transfers	(4,788)	0	4,788	0	0	0	0.00%
Total revenues & transfers	3,976,232	3,620,067	178,691	165,198	4,154,923	3,785,265	9.77%
Program expenses:							
Governmental activities:							
Instructional	2,242,927	2,069,975	0	0	2,242,927	2,069,975	8.36%
Support services	1,065,351	1,052,231	5,525	2,796	1,070,876	1,055,027	1.50%
Non-instructional programs	0	0	179,019	163,688	179,019	163,688	9.37%
Other expenses	251,692	287,484	0	0	251,692	287,484	-12.45%
Total expenses	3,559,970	3,409,690	184,544	166,484	3,744,514	3,576,174	4.71%
Excess(deficiency)of revenues over(under) expenses before capital contributions	416,262	210,377	(5,853)	(1,286)	410,409	209,091	96.28%
Capital contributions	0	0	0	14,240	0	14,240	-100.00%
Change in net assets	416,262	210,377	(5,853)	12,954	410,409	223,331	83.77%
Beginning net assets	1,918,458	1,708,081	59,693	46,739	1,978,151	1,754,820	12.73%
Ending net assets	\$ 2,334,720	1,918,458	53,840	59,693	2,388,560	1,978,151	20.75%

In fiscal 2008, local tax, local option sales and services tax and unrestricted state grants account for 75.32% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.09% of the revenue from business-type activities.

The District's total revenues were \$4,154,923 of which \$3,976,232 was for governmental activities and \$178,691 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 9.77% increase in revenues and a 4.71% increase in expenses. Property tax increased by \$76,205 to fund the expenditures. The increases in expenses were related to increases in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$3,976,232 and expenses were \$3,559,970.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,242,927	2,069,975	8.36%	1,481,493	1,423,638	4.06%
Support services	1,065,351	1,052,231	1.25%	1,065,351	1,052,231	1.25%
Other expenses	251,692	287,484	-12.45%	133,493	182,501	-26.85%
Totals	<u>\$ 3,559,970</u>	<u>3,409,690</u>	<u>4.41%</u>	<u>2,680,337</u>	<u>2,658,370</u>	<u>0.83%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$304,710.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$574,923.
- The net cost of governmental activities was financed with \$1,415,446 in local tax, \$205,904 in local option sales and services tax, \$1,373,409 in unrestricted state grants, \$25,084 in interest income and \$81,544 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$178,691 and expenses were \$184,544. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Adair-Casey Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,346,284, above last year's ending fund balance of \$987,117. The primary reason for the increase in combined fund balance in fiscal 2008 is due to the increase in state monies received by the District.

Governmental Fund Highlights

- The District's General Fund balance increased from \$530,131 on June 30, 2007 to \$731,726 on June 30, 2008. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in state revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increase in instruction expenditures. Revenues exceeded expenditures ensuring the increase in the District's financial position.

- The Management fund balance decreased from \$180,023 in 2007 to \$120,417 in 2008. This resulted from an increase in expenditures.
- The Capital Projects fund balance increased from \$175,377 in 2007 to \$383,235 in 2008. This resulted from a decrease in expenditures during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$59,693 at June 30, 2007 to \$53,840 at June 30, 2008, representing a decrease of 9.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$173,942 more than budgeted revenues, a variance of 4.37%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,257,018, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 8.80% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$148,031.

The original cost of the District's capital assets was \$4,610,822. Governmental funds account for \$4,516,653 with the remainder of \$94,169 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$212,899 at June 30, 2008, compared to \$249,331 reported at June 30, 2007. The decrease in buildings was due to depreciation for fiscal 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Buildings	212,899	249,331	0	0	212,899	249,331	-14.61%
Land improvements	859,661	925,066	0	0	859,661	925,066	-7.07%
Machinery and equipment	145,160	167,705	35,584	32,554	180,744	200,259	-9.74%
Total	\$ 1,221,434	1,345,816	35,584	32,554	1,257,018	1,378,370	-8.80%

Long-Term Debt

At June 30, 2008, the District had \$320,422 in long-term debt outstanding. This represents a decrease of 36.0% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding capital loan note payable of \$37,500 at June 30, 2008.

The District had total outstanding energy capital loan notes payable of \$265,468 at June 30, 2008.

The District had early retirement payable of \$17,454 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Capital loan note	\$ 37,500	73,500	-49.0%
Energy capital loan notes	265,468	370,396	-28.3%
Early Retirement	17,454	57,032	-69.4%
Totals	<u>\$ 320,422</u>	<u>500,928</u>	<u>-36.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is expected to remain in good financial health far into the future. Budgeting practices such as making sure expenditures do not exceed revenues, even during challenging years like FY 08, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Elgin, Board Secretary, Adair-Casey Community School District, 3384 Indigo Avenue, Adair, Iowa, 50002.

BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,515,323	26,194	1,541,517
Receivables:			
Property tax:			
Delinquent	23,974	0	23,974
Succeeding year	1,319,339	0	1,319,339
Income surtax	90,088	0	90,088
Accounts	468	0	468
Due from other governments	105,518	164	105,682
Inventories	0	3,283	3,283
Capital assets, net of accumulated depreciation (Note 4)	1,221,434	35,584	1,257,018
TOTAL ASSETS	4,276,144	65,225	4,341,369
LIABILITIES			
Accounts payable	41,396	1,496	42,892
Salaries and benefits payable	256,604	8,252	264,856
Interest payable	2,664	0	2,664
Deferred revenue:			
Succeeding year property tax	1,319,339	0	1,319,339
Other	999	0	999
Unearned revenue	0	1,637	1,637
Long-term liabilities (Note 5):			
Portion due within one year:			
Capital loan notes payable	145,898	0	145,898
Early retirement payable	5,698	0	5,698
Portion due after one year:			
Capital loan notes payable	157,070	0	157,070
Early retirement payable	11,756	0	11,756
TOTAL LIABILITIES	1,941,424	11,385	1,952,809
NET ASSETS			
Invested in capital assets, net of related debt	918,466	35,584	954,050
Restricted for:			
Early intervention	17,449	0	17,449
Talented and gifted	1,743	0	1,743
Professional development	13,080	0	13,080
Additional professional development	396	0	396
Market factor incentives	827	0	827
Capital projects	383,235	0	383,235
Physical plant and equipment levy	52,307	0	52,307
Management levy	102,963	0	102,963
Other special revenue purposes	58,599	0	58,599
Unrestricted	785,655	18,256	803,911
TOTAL NET ASSETS	\$ 2,334,720	53,840	2,388,560

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,344,339	92,367	437,650	(814,322)	0	(814,322)
Special instruction	408,137	56,056	19,074	(333,007)	0	(333,007)
Other instruction	490,451	156,287	0	(334,164)	0	(334,164)
	<u>2,242,927</u>	<u>304,710</u>	<u>456,724</u>	<u>(1,481,493)</u>	<u>0</u>	<u>(1,481,493)</u>
Support services:						
Student services	13,779	0	0	(13,779)	0	(13,779)
Instructional staff services	154,117	0	0	(154,117)	0	(154,117)
Administration services	318,809	0	0	(318,809)	0	(318,809)
Operation and maintenance of plant services	339,078	0	0	(339,078)	0	(339,078)
Transportation services	239,568	0	0	(239,568)	0	(239,568)
	<u>1,065,351</u>	<u>0</u>	<u>0</u>	<u>(1,065,351)</u>	<u>0</u>	<u>(1,065,351)</u>
Other expenditures:						
Facilities acquisitions	12,140	0	0	(12,140)	0	(12,140)
Long-term debt interest	19,516	0	0	(19,516)	0	(19,516)
AEA flowthrough	118,199	0	118,199	0	0	0
Depreciation(unallocated)*	101,837	0	0	(101,837)	0	(101,837)
	<u>251,692</u>	<u>0</u>	<u>118,199</u>	<u>(133,493)</u>	<u>0</u>	<u>(133,493)</u>
Total governmental activities	3,559,970	304,710	574,923	(2,680,337)	0	(2,680,337)
Business-Type activities:						
Support services:						
Administration services	1,235	0	0	0	(1,235)	(1,235)
Operation and maintenance of plant services	4,290	0	0	0	(4,290)	(4,290)
	<u>5,525</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,525)</u>	<u>(5,525)</u>
Non-instructional programs:						
Food service operations	179,019	99,662	73,835	0	(5,522)	(5,522)
Total business-type activities	184,544	99,662	73,835	0	(11,047)	(11,047)
Total	<u>\$ 3,744,514</u>	<u>404,372</u>	<u>648,758</u>	<u>(2,680,337)</u>	<u>(11,047)</u>	<u>(2,691,384)</u>
General Revenues and transfers						
General revenues:						
Local tax for:						
General purposes				\$ 1,272,786	0	1,272,786
Capital outlay				142,660	0	142,660
Local option sales and services tax				205,904	0	205,904
Unrestricted state grants				1,373,409	0	1,373,409
Unrestricted investment earnings				25,084	406	25,490
Other general revenues				81,544	0	81,544
Transfers				(4,788)	4,788	0
Total general revenues and transfers				<u>3,096,599</u>	<u>5,194</u>	<u>3,101,793</u>
Change in net assets				416,262	(5,853)	410,409
Net assets beginning of year				1,918,458	59,693	1,978,151
Net assets end of year				<u>\$ 2,334,720</u>	<u>53,840</u>	<u>2,388,560</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 951,228	321,820	242,561	1,515,609
Receivables:				
Property tax:				
Delinquent	21,882	0	2,092	23,974
Succeeding year	1,198,939	0	120,400	1,319,339
Income surtax	45,044	0	45,044	90,088
Due from other governments	44,103	61,415	0	105,518
Total assets	\$ 2,261,196	383,235	410,097	3,054,528
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 27,884	0	13,330	41,214
Salaries and benefits payable	256,604	0	0	256,604
Deferred revenue:				
Succeeding year property tax	1,198,939	0	120,400	1,319,339
Income surtax	45,044	0	45,044	90,088
Other	999	0	0	999
Total liabilities	1,529,470	0	178,774	1,708,244
Fund balances:				
Reserved for:				
Early intervention	17,449	0	0	17,449
Talented and gifted	1,743	0	0	1,743
Professional development	13,080	0	0	13,080
Additional professional development	396	0	0	396
Market factor incentives	827	0	0	827
Unreserved:				
General	698,231	0	0	698,231
Management Levy	0	0	120,417	120,417
Capital Projects	0	383,235	0	383,235
Physical plant and equipment levy	0	0	52,307	52,307
Other special revenue purposes	0	0	58,599	58,599
Total fund balances	731,726	383,235	231,323	1,346,284
Total liabilities and fund balances	\$ 2,261,196	383,235	410,097	3,054,528

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 1,346,284

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in in the governmental funds. 1,221,434

Accounts receivable income surtax, are not yet available
to finance expenditures of the current period. 90,088

Accrued interest payable on long-term liabilities is not
due and payable in the current period and, therefore, is
not reported as a liability in the governmental funds. (2,664)

Long-term liabilities, including capital loan notes payable
and early retirement payable are not due and payable in
the current period and, therefore, are not reported as
liabilities in the governmental funds. (320,422)

Net assets of governmental activites (page 13) \$ 2,334,720

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,242,782	205,904	172,664	1,621,350
Tuition	142,179	0	0	142,179
Other	75,912	1,954	190,260	268,126
Intermediate sources	483	0	0	483
State sources	1,785,743	0	0	1,785,743
Federal sources	162,589	0	0	162,589
Total revenues	3,409,688	207,858	362,924	3,980,470
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,334,315	0	49,602	1,383,917
Special instruction	408,137	0	0	408,137
Other instruction	309,669	0	179,712	489,381
	2,052,121	0	229,314	2,281,435
Support services:				
Student services	13,444	0	335	13,779
Instructional staff services	154,117	0	0	154,117
Administration services	315,121	0	3,688	318,809
Operation and maintenance of plant services	293,466	0	49,602	343,068
Transportation services	209,075	0	9,816	218,891
	985,223	0	63,441	1,048,664
Other expenditures:				
Facilities acquisitions	0	0	12,140	12,140
Long-term debt:				
Principal	0	0	140,928	140,928
Interest and fiscal charges	0	0	20,487	20,487
AEA flowthrough	118,199	0	0	118,199
	118,199	0	173,555	291,754
Total expenditures	3,155,543	0	466,310	3,621,853
Excess(deficiency) of revenues over(under) expenditures	254,145	207,858	(103,386)	358,617
Other financing sources(uses):				
Transfers in	0	0	161,415	161,415
Transfers out	(53,100)	0	(108,315)	(161,415)
Proceeds from sale of equipment	550	0	0	550
Total other financing sources(uses)	(52,550)	0	53,100	550
Net change in fund balances	201,595	207,858	(50,286)	359,167
Fund balance beginning of year	530,131	175,377	281,609	987,117
Fund balance end of year	\$ 731,726	383,235	231,323	1,346,284

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 359,167

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 19,500	
Depreciation expense	(143,882)	(124,382)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 140,928

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 971

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		39,578
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Changes in net assets of governmental activities (page 14) \$ 416,262

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and pooled investments	\$ 26,194	0
Accounts receivable	0	468
Due from other governments	164	0
Inventories	3,283	0
Capital assets, net of accumulated depreciation(Note 4)	35,584	0
TOTAL ASSETS	65,225	468
LIABILITIES		
Excess of warrants issued over bank balance	0	286
Accounts payable	1,496	182
Salaries and benefits payable	8,252	0
Unearned revenue	1,637	0
TOTAL LIABILITIES	11,385	468
NET ASSETS		
Invested in capital assets	35,584	0
Unrestricted	18,256	0
TOTAL NET ASSETS	\$ 53,840	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 99,662	13,643
Operating expenses:		
Support services:		
Administration services:		
Services	500	13,643
Other	735	0
Operation and maintenance of plant services:		
Services	4,290	0
	5,525	13,643
Non-instructional programs:		
Food service operations:		
Salaries	61,375	0
Benefits	14,201	0
Supplies	97,778	0
Depreciation	4,109	0
Other	256	0
	177,719	0
Total operating expenses	183,244	13,643
Operating loss	(83,582)	0
Non-operating revenues(expenses):		
State sources	2,170	0
Federal sources	71,665	0
Interest income	406	0
Loss on disposal of assets	(1,300)	0
Total non-operating revenues(expenses)	72,941	0
Change in net assets before capital contributions	(10,641)	0
Capital contributions	4,788	0
Change in net assets	(5,853)	0
Net assets beginning of year	59,693	0
Net assets end of year	\$ 53,840	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 100,328	0
Cash received from miscellaneous	4,518	13,643
Cash payments to employees for services	(73,164)	0
Cash payments to suppliers for goods or services	(95,096)	(14,355)
Net cash used in operating activities	(63,414)	(712)
Cash flows from non-capital financing activities:		
State grants received	2,170	0
Federal grants received	63,603	0
Net cash provided by non-capital financing activities	65,773	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,651)	0
Cash flows from investing activities:		
Interest on investments	406	0
Net decrease in cash and cash equivalents	(886)	(712)
Cash and cash equivalents at beginning of year	27,080	426
Cash and cash equivalents at end of year	\$ 26,194	(286)
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (83,582)	0
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	7,898	0
Depreciation	4,109	0
Increase in inventories	(926)	0
Decrease(Increase) in accounts receivable	4,973	(468)
Increase(Decrease) in accounts payable	1,491	(244)
Increase in salaries and benefits payable	2,412	0
Increase in unearned revenue	211	0
Net cash used in operating activities	\$ (63,414)	(712)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 26,194	(286)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$7,898.

During the year ended June 30, 2008, the District received \$4,788 in capital contributions from Capital Projects Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 185,196
Liabilities	0
Net assets	
Reserved for scholarships	\$ 185,196

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 8,325
Deductions:	
Instruction:	
Scholarships awarded	7,000
Change in net assets	1,325
Net assets beginning of year	183,871
Net assets end of year	\$ 185,196

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Adair-Casey Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Adair and Casey, Iowa, and the predominate agricultural territory in Adair, Guthrie and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Adair-Casey Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Adair-Casey Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical reimbursement plan. The Internal

Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is The Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in certificates of deposits as follows:

	Fair Value
Certificates of deposit	\$ 35,599

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months or receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 53,100
Debt Service	Special Revenue, Physical plant and Equipment Levy	108,315
Total		\$ 161,415

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 93,022	8,439	7,292	94,169
Less accumulated depreciation	60,468	4,109	5,992	58,585
Business-type activities capital assets, net	\$ 32,554	4,330	1,300	35,584

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714	0	0	3,714
Total capital assets not being depreciated	<u>3,714</u>	<u>0</u>	<u>0</u>	<u>3,714</u>
Capital assets being depreciated:				
Buildings	1,472,664	0	0	1,472,664
Land improvements	2,422,876	0	0	2,422,876
Machinery and equipment	597,899	19,500	0	617,399
Total capital assets being depreciated	<u>4,493,439</u>	<u>19,500</u>	<u>0</u>	<u>4,512,939</u>
Less accumulated depreciation for:				
Buildings	1,223,333	36,432	0	1,259,765
Land improvements	1,497,810	65,405	0	1,563,215
Machinery and equipment	430,194	42,045	0	472,239
Total accumulated depreciation	<u>3,151,337</u>	<u>143,882</u>	<u>0</u>	<u>3,295,219</u>
Total capital assets being depreciated, net	<u>1,342,102</u>	<u>(124,382)</u>	<u>0</u>	<u>1,217,720</u>
Governmental activities capital assets, net	<u>\$ 1,345,816</u>	<u>(124,382)</u>	<u>0</u>	<u>1,221,434</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 1,070
Support services:	
Operation and maintenance of plant	798
Transportation	40,177
	<u>42,045</u>
Unallocated depreciation	<u>101,877</u>
Total governmental activities depreciation expense	<u>\$ 143,922</u>
Business-type activities:	
Food services	<u>\$ 4,109</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 73,500	0	36,000	37,500	37,500
Energy Capital loan notes	370,396	0	104,928	265,468	108,398
Early retirement	57,032	2,665	42,243	17,454	5,698
Total	\$ 500,928	2,665	183,171	320,422	151,596

Capital Loan Note Payable

Details of the District's June 30, 2008 capital loan note indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Capital Loan Note		
		Principal	Interest	Total
2009	4.25 %	\$ 37,500	797	38,297

Energy Capital Loan Notes Payable

The District issued \$525,000 of energy capital loan notes during the year ended June 30, 2000. Details of the District's June 30, 2008 energy capital loan note indebtedness which is paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Energy Capital Loan Note		
		Principal	Interest	Total
2009	5.71 %	\$ 63,398	6,558	69,956
2010	5.71	67,070	2,886	69,956
Total		\$ 130,468	9,444	139,912

The District issued \$450,000 of energy capital loan notes during the year ended June 30, 2002. Details of the District's June 30, 2008 energy capital loan note indebtedness which is paid from the General Fund.

Year Ending June 30,	Interest Rates	Energy Capital Loan Note		
		Principal	Interest	Total
2009	4.50 %	\$ 45,000	6,075	51,075
2010	4.50	45,000	4,050	49,050
2011	4.50	45,000	2,025	47,025
Total		\$ 135,000	12,150	147,150
Total Energy Capital Loan Notes		\$ 265,468	21,594	287,062

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$113,424, \$101,598, and \$99,319 respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$277,599.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

Adair-Casey Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$118,199 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,031,655	100,068	2,131,723	2,060,812	2,060,812	70,911
Intermediate sources	483	0	483	1,000	1,000	(517)
State sources	1,785,743	2,170	1,787,913	1,700,618	1,700,618	87,295
Federal sources	162,589	71,665	234,254	218,000	218,000	16,254
Total revenues	3,980,470	173,903	4,154,373	3,980,430	3,980,430	173,943
Expenditures:						
Instruction	2,281,435	0	2,281,435	2,376,287	2,376,287	94,852
Support services	1,048,664	5,525	1,054,189	1,152,100	1,152,100	97,911
Non-instructional programs	0	177,719	177,719	215,514	215,514	37,795
Other expenditures	291,754	0	291,754	527,670	527,670	235,916
Total expenditures	3,621,853	183,244	3,805,097	4,271,571	4,271,571	466,474
Excess(deficiency) of revenues over(under) expenditures	358,617	(9,341)	349,276	(291,141)	(291,141)	640,417
Other financing sources, net	550	3,488	4,038	9,000	9,000	(4,962)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	359,167	(5,853)	353,314	(282,141)	(282,141)	635,455
Balance beginning of year	987,117	59,693	1,046,810	816,621	816,621	230,189
Balance end of year	\$ 1,346,284	53,840	1,400,124	534,480	534,480	865,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 119,863	62,482	60,216	242,561
Receivables:				
Property tax:				
Current year delinquent	554	0	1,538	2,092
Succeeding year	30,000	0	90,400	120,400
Income surtax	0	0	45,044	45,044
TOTAL ASSETS	\$ 150,417	62,482	197,198	410,097
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	3,883	9,447	13,330
Deferred revenue:				
Succeeding year property tax	30,000	0	90,400	120,400
Income surtax	0	0	45,044	45,044
TOTAL LIABILITIES	30,000	3,883	144,891	178,774
FUND BALANCES:				
Unreserved	120,417	58,599	52,307	231,323
TOTAL FUND BALANCES	120,417	58,599	52,307	231,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 150,417	62,482	197,198	410,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 30,004	0	142,660	172,664	0	172,664
Other	8,384	181,338	538	190,260	0	190,260
Total revenues	38,388	181,338	143,198	362,924	0	362,924
Expenditures:						
Current:						
Instruction:						
Regular instruction	42,243	0	7,359	49,602	0	49,602
Other instruction	0	179,712	0	179,712	0	179,712
Support services:						
Student services	0	335	0	335	0	335
Administration services	3,688	0	0	3,688	0	3,688
Operation and maintenance of plant services	42,247	4,739	2,616	49,602	0	49,602
Student transportation	9,816	0	0	9,816	0	9,816
Other expenditures:						
Facilities acquisitions	0	0	12,140	12,140	0	12,140
Long-term debt:						
Principal	0	0	0	0	140,928	140,928
Interest and fiscal charges	0	0	0	0	20,487	20,487
Total expenditures	97,994	184,786	22,115	304,895	161,415	466,310
Excess (deficiency) of revenues over (under) expenditures	(59,606)	(3,448)	121,083	58,029	(161,415)	(103,386)
Other financing sources (uses):						
Transfer in	0	0	0	0	161,415	161,415
Transfer out	0	0	(108,315)	(108,315)	0	(108,315)
Total other financing sources (uses)	0	0	(108,315)	(108,315)	161,415	53,100
Net change in fund balances	(59,606)	(3,448)	12,768	(50,286)	0	(50,286)
Fund balance beginning of year	180,023	62,047	39,539	281,609	0	281,609
Fund balance end of year	\$ 120,417	58,599	52,307	231,323	0	231,323

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 34	3,561	3,476	119
After Prom	1,238	13,903	13,466	1,675
Athletics	44,242	60,357	73,096	31,503
Band	196	1,332	753	775
Cheerleading Basketball	229	0	0	229
Cheerleading Football	(1,248)	3,738	1,875	615
Class of 2007	8	0	8	0
Class of 2008	1,449	25,614	26,792	271
Class of 2009	7	14,498	11,470	3,035
Class of 2010	1	0	0	1
Drama/SP	2,057	2,106	1,899	2,264
Drill Team	1,912	2,054	2,061	1,905
FFA	8,897	38,270	36,918	10,249
FFA-Video	765	5,550	5,583	732
Music Boosters	1,266	4,349	2,862	2,753
National Honor Society	767	794	272	1,289
Student Council	0	2,812	2,812	0
Vocal	227	1,371	414	1,184
Interest	0	1,029	1,029	0
Total	\$ 62,047	181,338	184,786	58,599

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	1,621,350	1,535,024	1,434,982	1,364,342	1,351,824
Tuition		142,179	111,963	101,970	98,993	93,516
Other		268,126	244,358	224,042	213,518	242,979
Intermediate sources		483	3,868	980	156	137
State sources		1,785,743	1,547,929	1,419,573	1,427,746	1,357,496
Federal sources		162,589	174,598	138,220	141,726	112,424
Total	\$	3,980,470	3,617,740	3,319,767	3,246,481	3,158,376
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	1,383,917	1,215,190	1,143,577	1,177,728	1,201,522
Special instruction		408,137	358,292	305,131	303,304	320,905
Other instruction		489,381	438,391	426,870	403,458	328,684
Support services:						
Student services		13,779	11,325	10,150	32,459	53,200
Instructional staff services		154,117	175,322	110,732	86,793	74,319
Administration services		318,809	322,818	412,406	374,093	371,583
Operation and maintenance of plant services		343,068	309,887	277,026	316,897	292,847
Transportation services		218,891	317,121	161,655	186,545	274,015
Other expenditures:						
Facilities acquisitions		12,140	37,740	30,594	8,881	36,516
Long-term debt:						
Principal		140,928	136,147	173,362	167,295	123,344
Interest		20,487	27,291	35,561	43,524	46,291
AEA flow-through		118,199	104,983	101,252	101,744	102,656
Total	\$	3,621,853	3,454,507	3,188,316	3,202,721	3,225,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair-Casey Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adair-Casey Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adair-Casey Community School District's financial statements that is more than inconsequential will not be prevented or detected by Adair-Casey Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Adair-Casey Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair-Casey Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Adair-Casey Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Adair-Casey Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adair-Casey Community School District and other parties to whom Adair-Casey Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair-Casey Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2009

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

- I-B-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

- I-C-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials from the Student Activity fund, however, there were not always copies of the contracts with the paid bills. We also noted that officials were not always signing a voucher to verify that they were at the event.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills. Officials should also be signing vouchers to verify their presence at the event.

Response - This has been changed as copies of the signed contracts are now supplied to the accounting staff before checks are issued to officials. The signed contract is kept with the paid bills. Officials sign vouchers upon completion of the game to verify their presence at the event.

Conclusion - Response accepted.

- I-D-08 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There were scholarships paid out of the Student Activity Fund. Scholarships need to be paid out of the Private Purpose Trust - Scholarship Fund. We noted that the checks were written to the students. The checks should be written to the college and student.

Response - This has been corrected and scholarships are now paid out of the Private Purpose Trust - Scholarship Fund. Scholarship checks are made payable to the college and the student.

Conclusion - Response accepted.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barry Orness, Board President Substitute Bus Driver	Services	\$144
Jim Zimmerline, Board Member Owner of Jim's Lawn Care	Lawn Care Services	\$17,316

According to Chapter 279.A of the Code of Iowa, the transactions with Barry Orness do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Jim Zimmerline do not appear to represent a conflict of interest since the amount was competitively bid.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.